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HEALTH *watch*

Native American and Alaskan Native Outreach

Did you know that HCFA is working to meet the needs of Native Americans and Alaskan Natives? This initiative, led by HCFA's Denver Regional Office, is expected to result in innovative projects involving HCFA and Indian Health Service (IHS) offices and tribes.

Most recently, the Denver Regional Office hosted a conference on health issues affecting Native Americans and Alaskan Natives. The conference between HCFA and IHS staff provided an opportunity for attendees to learn about the cultures and to develop a plan for improving HCFA's services to Native American and Alaskan Native beneficiaries. Other items of discussion included education on tribal processes and protocol and outreach efforts to provide better health services to these populations.

Current projects include working with tribal leaders and schools to disseminate health care information to beneficiaries and their children. Because children often become care givers for their parents, it is important to educate them about the role they will play in meeting the health care



Michael McMullan, Deputy Associate Administrator for Operations and Resource Management, HCFA; Mary Kay Smith, Denver Regional Administrator, HCFA; and David Weir, Associate Director of Finance and Data, Health Services and Resources Administration, listen to Duane Jeanotte, Director of the Billings Area Office, Indian Health Service.

needs of their parents. HCFA is also working with Native Americans and Alaskan Natives to educate them about Medicare services available, especially in the event of an emergency hospital visit.

What's New for Medicare Beneficiaries

President Clinton has proposed new preventive health benefits for Medicare beneficiaries as part of the FY 1998 budget. Those benefits include colon-rectal screening, diabetics management, annual mammograms without co-payments, and increased reimbursement rates for certain immunizations. The new benefits are intended to improve seniors' health and reduce the incidence and costs of these diseases.

By strengthening the Medicare benefit package to cover additional preventive services, it is hoped that more beneficiaries will take advantage of preventive services that can improve their

health. As DHHS Secretary Donna Shalala explained at the February 6 budget briefing, "...modernizing Medicare means reinvesting some savings in preventive benefits—like mammograms, vaccines, and colon screenings. Benefits that we know to save lives."

In addition to expanding preventive health coverage, the budget takes steps to encourage families to avoid institutional costs by keeping beneficiaries at home. A new "respite benefit" proposal would establish a Medicare respite benefit for families of beneficiaries with Alzheimer's disease or other irreversible

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The *HCFA Health Watch* is published monthly, except when two issues are combined, by the Health Care Financing Administration to provide timely information on significant program issues and activities to its external customers.

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HCFA Revamps Overpayment Procedures

Staff from HCFA and the Office of General Counsel met with representatives from several national provider associations (e.g., home health care, hospice care, therapy services, etc.) on February 12 to discuss HCFA's draft statistical sampling instructions. The instructions, based on statistically valid random sampling and extrapolation methodologies, will be used as a procedural guide by Medicare Part A contractors to recoup overpayments.

The provider industry had an opportunity to review the draft instructions in September, and the meeting provided an additional opportunity for them to discuss their concerns. The input provided by the provider community will assist in further development and clarification of the sampling instructions. HCFA will continue to work in partnership with the industry as these instructions near implementation.

If you would like additional information, please contact Valerie Hart at 410/786-6690 (e-mail: vhart@hcfa.gov).



Message from the Administrator

BRUCE C. VLADECK

WE RECENTLY announced the start of an important demonstration project in which we will test the application of competitive market forces to the Medicare program. The "Medicare Competitive Pricing Demonstration," to begin initially in Denver, Colorado, will use competitive bidding to set payment rates for Medicare managed care plans. The project will also offer third-party education, counseling, and enrollment to help Medicare beneficiaries to be more informed consumers, which in turn should further foster competition among managed care plans. We believe that if these strategies are successful, they will allow Medicare to adopt more effective purchasing and enrollment practices—similar to those large employers and States have begun to use.

Currently, Medicare sets plan payment rates through a statutory formula based on costs in the fee-for-service Medicare program. This method has long been criticized for ignoring the potential of managed care plans to hold down Medicare costs, for the sometimes extreme variation in payment rates across different counties, and for its reliance on fee-for-service utilization and practice patterns.

Under the demonstration, we will set new payment rates based on plan bids for a standard benefit package that will mirror currently offered Medicare managed care packages in the Denver area. Vastly improved comparative information, educational programs, and an open enrollment season with third-party enrollment (unlike current enrollment directly through managed care plans) are also cornerstones of this demonstration. Our goal will be to help Medicare beneficiaries learn about all their options, and assist them in making the best choice for them—whether that choice is traditional Medicare fee-for-service, Medicare plus a supplement, or a managed care plan.

This project has not been without controversy. Some in the managed care industry have opposed third-party enrollment and have expressed concern that any lowering of managed care payment rates resulting from competitive bidding may cause beneficiaries to either face higher premiums or reduced benefits. We have carefully designed this demonstration, however, to protect beneficiaries against both significant reductions in benefits and increases in premiums and believe that beneficiaries will benefit by receiving more information and a greater ability to choose among health plans.

We remain committed to testing market-based ideas like competitive bidding in a demonstration setting so that their effects can be evaluated before they are applied nationwide. These types of experiments will help assure that Medicare continually improves, and that it is strong, vital, and able to provide top-quality service to beneficiaries as it enters the 21st century.

1995 National Health Expenditures Released

The nation's total health care spending reached nearly one trillion dollars in 1995 according to an annual report recently released by HCFA. This is an average of \$3,621 per person.

Spending grew faster for Medicare than the private sector because the private sector has attained greater savings from managed care, according to the report. By law, Medicare must base its managed care payments on a formula related to Medicare fee-for-service costs. Therefore, Medicare may not benefit from discounts and other factors that generate savings for the private sector. This is a primary reason why private-sector spending grew at a rate of 2.9 percent in 1995 while public-sector spending grew at 8.7 percent in that year, says the report.

National health expenditures in 1995 were \$988.5 billion, up from \$937.1 billion in 1994. The growth rate for health spending in 1995 was slightly higher than the 5.1 percent increase registered in 1994, while spending rose by \$156 per person from \$3,465 in 1994.

Per Person Spending

1994 \$3,465

1995 \$3,621

HCFA's 1995 National Health Expenditures annual report was printed in the Fall edition (Vol. 18, No. 1) of the *Health Care Financing Review*. For information on ordering this publication, contact Linda Wolf at 410/786-6572 or e-mail: lwolf@hcfa.gov. Statistics may also be viewed on HCFA's web site at <http://www.hcfa.gov/stats/nhce96.htm>.

What's New for Medicare Beneficiaries

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dementia, beginning in FY 1998. The benefit would cover up to 32 hours of care per year and would be administered through home health agencies or other entities, as determined by the DHHS Secretary.

The budget also adds Medigap protections to improve access to coverage. New proposals guarantee that beneficiaries have the opportunity to enroll in community-rated Medigap plans annually without being subject to exclusion for pre-existing conditions. This provision would ensure that beneficiaries who try managed care, and are dissatisfied, can return to the Medigap plan of their choice.

Upcoming Events of March and April

MARCH 12

Administrator Bruce C. Vladeck speaks at Princeton University's Woodrow Wilson School of Public and International Affairs in Princeton, N.J., on *Cost control issues*.

MARCH 21

Administrator Vladeck speaks at the International Conference entitled "Evaluation of Appropriateness of Hospital Use" in Florence, Italy, on *Implementation and management lessons learned from Medicare*.

MARCH 26

Administrator Vladeck addresses the American Society on Aging in Nashville, Tenn., on *How current and proposed health care policies may affect the delicate but enduring contract between parent and child*.

APRIL 16

Administrator Vladeck speaks at the HCFA/University of Texas at Dallas Healthcare Symposium.

APRIL 21

Administrator Vladeck addresses the Texas Joint Conference on Aging in Abilene, Tex., on *An overview of the future of health care in America*.

Prototype Waiver Applications Developed

In response to a request from the National Governors' Association, HCFA recently developed prototype home and community-based waiver applications which States can submit for quick review and approval. This approach virtually assures a State that its waiver will be approved immediately.

These prototype home- and community-based waivers target the following three populations: persons with traumatic brain injury; persons living with HIV/AIDS; and medically fragile children. The applications for the prototype waivers were developed using data from States currently operating waivers covering the three target populations. A State can modify aspects of their approved waiver program, such as the addition of services, provider qualifications, etc., by submitting an amendment to HCFA. Amendments can be approved retroactively, thus States will be allowed to continue serving beneficiaries while fine-tuning their waiver programs.

Previously, it took approximately 90 days to process a State's waiver request.

Provider Partnership Demonstration Underway

HCFA recently announced the Medicare Provider Partnership Demonstration—a project aimed at encouraging physicians and hospitals to work together in managing patient care.

Under the demonstration, one lump sum, or "bundled" payment, will be paid for both hospital and physician services when Medicare beneficiaries are admitted to participating acute care institutions. The bundled payment will be paid to a partnership entity representing both the physicians and hospital for all Medicare admissions to the hospital.

The goal of the Provider Partnership Demonstration is to test how physicians and hospitals can organize to manage clinical care, whether doing so can improve efficiency and quality of care, and whether it can save money. Currently, hospital and physician payments are separate, but analyses show wide variations in the combined total for services provided to hospitalized patients. HCFA has studied methods for bundling these payments for more than a decade, but this is the first demonstration project of its kind.

News from HCFA's Regional Offices

Atlanta

The Eden Alternative

A new trend in environmental restructuring is in use in nursing homes throughout the United States. This trend, referred to as the "Eden Alternative," incorporates home settings in long-term care facilities by bringing pets, children, and gardening into the lives of residents.

The Eden Alternative, developed by a New York physician, is effective in alleviating the boredom, loneliness, and helplessness among nursing home residents. HCFA's Atlanta Regional Office has found the Eden Alternative effective and is promoting its use in nursing homes in that region.

New York

ESRD Surveyors Undergo Training

HCFA's New York Regional Office recently provided a course on End-Stage Renal Disease (ESRD) basic surveyor training to surveyors in New York State. This specialized course was offered following the restructuring of the New York Department of Health. As a result of the restructuring, surveyors with limited dialysis experience were assigned the responsibility for surveying dialysis facilities in that state.

Materials for this training course could be useful to other states contemplating organizational changes affecting survey responsibilities.

New Regulations/Notices

Medicare and Medicaid Programs; Small Business Innovation Research Grants for Fiscal Year 1997 (ORD-089-N)—Published 1/29
This notice contains information about the subject areas for grants that will be given priority, application requirements, review procedures, and other relevant information.

Medicaid Program; Preliminary Limitations on Aggregate Payments to Disproportionate Share Hospitals (DSH): Federal Fiscal Year 1997 (MB-104-N)—Published 1/31 This notice announces the preliminary Federal fiscal year (FFY) 1997 national target and individual State allotments for Medicaid payment adjustments made to hospitals that serve a disproportionate number of Medicaid recipients and low-income patients with special needs. The preliminary FFY 1997 State DSH allotments published in this notice will be superseded by the final FFY 1997 DSH allotments that we intend to publish in the Federal Register about April 1997.

CLIA Program; Clinical Laboratory Improvement Amendments of 1988 - Denial of Exemption of Laboratories in the Commonwealth of Puerto Rico (HSQ-244-N)—Published 2/5 This notice announces that a request from the Commonwealth of Puerto Rico for exemption from CLIA requirements has been denied.



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